

Message Text

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70

ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 SPC-03 SAM-01 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02

AEC-11 CIAE-00 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 PM-07 SCI-06 PA-04 PRS-01

USIA-15 TAR-02 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /198 W

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R 141600Z FEB 74

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2739

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E.O. 11652: N/A

TAGS: ETRD, VE

SUBJ: SHORT SUPPLY PROBLEMS

REF: STATE 22871

1. FOREIGN OWNED OIL COMPANIES OPERATING IN VENEZUELA HAVE TAKEN STEPS TO EASE IF NOT OVERCOME SHORTAGES OF SUPPLY TO DOMESTIC PETROCHEMICAL USERS. BY SEIZING INITIATIVE IN THE SENSITIVE AREA OF PETROCHEMICAL SHORTAGE PROBLEMS, THE FOREIGN OIL OPERATORS SEEM TO HAVE BLUNTED HUE AND CRY OF POLITICIANS, GOVERNMENT OFFICIALS AND USERS OF THIS CATEGORY OF COMMODITIES.

2. IN LETTERS TO MINISTRIES OF DEVELOPMENT AND MINES AND HYDRO-CARBONS SENT JANUARY 18, SHELL GAVE ASSURANCES THAT IT WOULD DO ITS UTMOST TO ASSURE SUPPLY OF TWENTY-TWO PETROCHEMICALS AND BASIC CHEMICAL PRODUCTS. THESE PRODUCTS WOULD BE MADE AVAILABLE THROUGH SHELL'S CHEMICAL AFFILIATE WHICH TRADITIONALLY HAS HELD LARGE SHARE OF VENEZUELA IMPORTS. LETTERS CITED NO FIGURES BUT

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COMPANY OFFICIAL STATES HE HOPES AMOUNTS PROVIDED WOULD BE IN RANGE

OF 50 PERCENT OF DOMESTIC INDUSTRY'S DEFICIT OVERALL; E.G., MAY BE ABLE TO SUPPLY 100 PERCENT OF CERTAIN ITEMS, NONE OF OTHERS.

3. OFFICIAL STATES TERMS OF TRANSACTION ARE STRICTLY CASH AT WORLD PRICES AND DIRECTLY WITH USERS. FEDECAMERAS ACTED AS MEDIATOR BETWEEN USERS AND OIL PRODUCERS BUT WILL HAVE NO ROLE IN COMMERCIAL TRANSACTIONS.

4. ALTHOUGH SHELL HAS FOR TIME BEING CONCENTRATED ON CHEMICALS SUPPLY, AN AREA IN WHICH IT HAS EXPERTISE AND CONTROL OVER STOCK AVAILABILITIES, COMPANY HAS ASKED DR. CORDIDO VALERY, DIRECTOR OF INDUSTRIES OF MINISTRY OF DEVELOPMENT, TO INFORM IT OF GENERAL SHORTAGES. NO SOLICITATION FOR HELP HAS BEEN RECEIVED TO DATE FROM CORDIDO.

5. CREOLE PETROLEUM HAS ACTED ON A SMALLER SCALE TO ASSIST PETROCHEMICAL USERS. THROUGH ITS AFFILIATE ESSO CHEMICALS IT HAS BEEN ABLE TO ASSURE CUSTOMERS OF SUPPLYING 10 TO 15 PERCENT MORE POLYPROPYLENE IN 1974 THAN IT DID IN 1973, OR IN EXCESS OF 1,000 M/T OF OTHER PETROCHEMICALS IT HAD NOT PREVIOUSLY SHIPPED TO VENEZUELA. MAIN BENEFICIARIES WILL BE PLASTICS MANUFACTURERS.

6. CREOLE PRESIDENT DOLPH PUBLICLY CONFIRMED OIL INDUSTRY'S MOVES ON FEBRUARY 11. HE IS QUOTED AS SAYING THAT THE OIL INDUSTRY HAS RESOLVED MANY OF THE PROBLEMS OF SUPPLYING RAW MATERIALS, ESPECIALLY CHEMICALS TO PLASTICS INDUSTRY, THROUGH DIRECT NEGOTIATIONS WITH PRIVATE SECTOR.

7. OIL PRODUCERS ARE FRANKLY MOTIVATED BY INTEREST IN KEEPING PETROLEUM VOLUMES AT PRESENT RATES. HAVE ENDEAVORED TO STAY A MOVE AHEAD OF GOVERNMENT DEMANDS BY SHOWING PRIVATE USERS GOOD FAITH IN LOCATING SUPPLIES. EFFORTS THUS FAR SEEM TO HAVE PRODUCED THE DESIRED RESULTS. RECENT FEDECAMERAS STATEMENT WAS TINGED WITH JUBILATION WHEN CITING PRIVATE SECTOR'S ABILITY TO COPE WITH TIGHT PETROCHEMICAL SITUATION. PALSTICS INDUSTRY'S ASSOCIATION ALSO ISSUED STATEMENT THAT IT EXPECTED SUPPLY PROBLEMS TO BE WORKED OUT BETWEEN OIL COMPANIES AND DOMESTIC USERS.

8. ONE OF THE DIFFICULTIES IN DEALING WITH PROBLEMS OF THIS KIND
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IS TO DISTINGUISH TRUE SHORTAGES FROM PRICE PROBLEMS. IN PRACTICE, SOME LOCAL BUYERS AFFECTED BY HIGHER RAW MATERIALS AND INDUSTRIAL PRODUCTS PRICES FIND IT COMFORTING TO COMPLAIN OF SHORTAGES WHEN THEY MEAN SHORTAGES AT PREVIOUS PRICE LEVELS.

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Message Attributes

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Concepts: PETROLEUM PRODUCTS, RAW MATERIALS, SUPPLIES, FOREIGN INVESTMENTS
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Copy: SINGLE
Draft Date: 14 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
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Disposition Date: 28 MAY 2004
Disposition Event:
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